

CHILDREN'S FUNDING PROJECT

From: The Children's Funding Project
To: Kentucky Governor's Office of Early Childhood
c/o: Compass Evaluation and Research, Inc.
Re: Kentucky Early Childhood Fiscal Map Findings and
Recommendations: Executive Summary

Background

The Kentucky Governor's Office of Early Childhood has been determined to utilize the Preschool Development B-5 Grant (PDG B-5) first year of funding to its fullest potential in order to plan how to improve its early childhood system. A part of this process has been collaboration with The Children's Funding Project (CFP) to produce a "fiscal map" or fiscal analysis of the funds the state receives and allocates for early childhood services. Fiscal mapping is essential for understanding the current flow of funding, the barriers, and the possible areas for improved efficiency of the funding streams and the agencies receiving funds. Also, fiscal mapping is the data collection phase of determining how much new revenue is needed to adequately support the B-5 system.

The goals of this fiscal map were to better understand the dollars that constitute Kentucky's early childhood landscape and to generate recommendations for better alignment and coordination of funding streams. In the fiscal analysis, we included state, federal and Tobacco Master Settlement Agreement appropriations within state fiscal years 2018 - 2019 that directly serve infants and children ages 0-5, pregnant women and families on the basis of having children ages 0-5, and early childhood service providers. Excluded from the fiscal map are Medicaid funds, local government funds, private or philanthropy funds, and discretionary grants received by localities.

Main Findings

1. The total investment in Kentucky's early childhood system is currently estimated at \$1,259,195,823. This is about 3.5% of Kentucky's total enacted budget from FY18, yet children ages 0-5 comprise 7.4% of the state's total population.

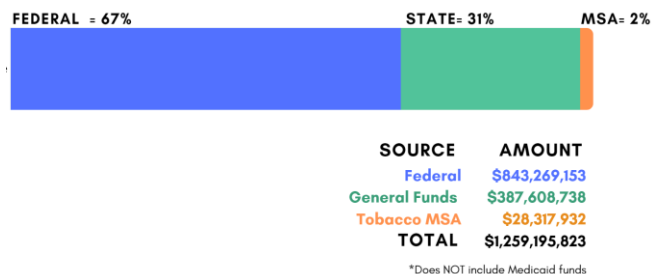
The fiscal map analysis included 39 funding streams, which total \$1,259,195,823. Compared to the Total Enacted FY18 Budget of the Commonwealth¹, this total investment in early childhood is about 3.5% of the total state budget. Children ages 0-5 comprised 7.4% of Kentucky's population in 2018.² Therefore the state may want to consider if the current investment is equitable, or if they would like to provide more for this population that has such a high return on investment.

¹ [Commonwealth of Kentucky 2016 -2018 Budget of the Commonwealth Volume I](#)

² Population estimate is as of July 1, 2018 from the Kentucky State Data Center

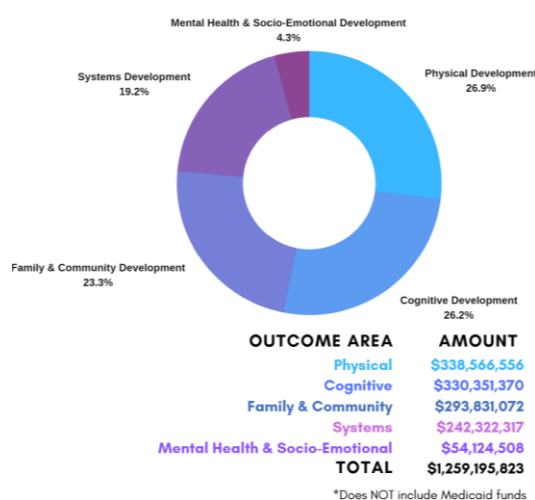
2. Over two thirds of Kentucky's early childhood ecosystem is funded from federal sources.

Relying too heavily on federal grants can create issues in the sustainability and flexibility of funds. If Kentucky would like to change this allocation, they can consider generating new funds for early childhood. In doing so, it would strengthen their position as a national leader in early childhood.



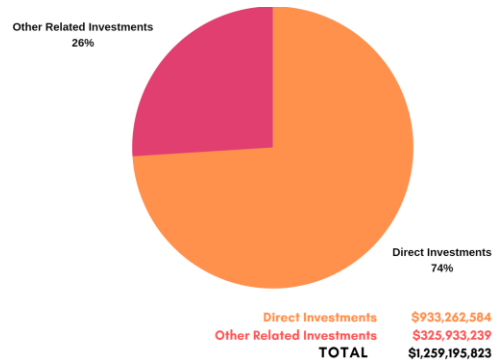
3. Investments in early childhood in Kentucky contribute primarily to the outcomes of physical development (26.9% of funds), cognitive development (26.3%) and family and community development (23.3%), with less funds going to systems development (19.2%) and mental health and socio-emotional development (4.3%).

Improvements are being made in the mental health and socio-emotional development outcome category. After research and informant interviews, we learned that Kentucky Department for Behavioral Health, Developmental and Intellectual Disabilities (DBHDID) was not eligible to apply for a Substance Abuse and Mental Health Services Administration (SAMHSA) System of Care grant until the most recent (FFY 19) FOA. DBHDID has submitted an application and are currently awaiting notification as to whether they have been selected. Also, DBHDID applied for a FFY19 SAMHSA Project LAUNCH grant but unfortunately was not selected. Finally, we learned that the state is using some of its SAMHSA State Opioid Response (SOR) grant funds for services and supports to children age birth through five whose mothers are recovering from opioid use disorders, but we were unable to receive this estimate in time for the final report. The 'systems development' outcome area is more heavily funded because it includes many large federal grants including IDEA Part C, PDG B-5, CCDF, among others.



4. About 75% of the total investments in Kentucky’s early childhood system go directly to children ages 0-5, while the remaining 25% of funds are other related investments that include family services and system investments.

Out of the 39 funding streams mapped, 27 of the streams provide direct investments in children ages 0-5, and the remaining 12 are other related streams that include funding for systems or other wrap around supports, and estimates that may include other ages outside of 0-5 years. The total direct investment in ages 0-5 is only 2.6% of the FY18 Enacted State Budget.



Alignment and Coordination Recommendations

Funding Alignment

1. Coordinate the funding streams under each ‘eligible service’ to help improve the service provided

The image to the right shows the early childhood services that each of the funding streams in the fiscal map contribute to. This image does *not* show duplication of services, because each of these funding streams may provide for a specific aspect of that service.



However, we recommend that the leaders of or departments associated with the funding streams create some sort of mechanism to align their work under each service category. Creating a plan to better coordinate efforts and maximize funds can bolster these services. Potential options include: establishing service category work groups; examining service category outcomes (to the degree possible) under each funding stream and realigning services under those streams based on relative performance; looking for opportunities to share space, staff or blend and braid funding; and/or comping up with shared principles of engagement with children and families.

2. Generate new revenue for early childhood

The Children’s Funding Project has four levers that guide its work: Find (fiscal mapping); Align (aligning and coordinating people, data, and money); Generate (generating new revenue); and Activate (ensuring the greatest impact of revenue). For Kentucky to make a truly targeted, effective and sustainable step towards improving its early childhood landscape, the state should consider moving

from the ‘find’ and ‘align’ levers to generating new revenue. There are a few ways that the state can approach this:

- **State Enabling Legislation** – State enabling legislation is legislation at the state level that gives local communities the authority to levy and/or dedicate funding to children’s services. This legislation does not establish any districts or levy funding as individual districts must be established by local or regional voter approval. See *State Enabling Legislation for Children’s Special Taxing Districts* in the addenda for more information.
- **Innovative Financing Methods** – Community Benefit Agreements, Community Reinvestment Act agreements, PILOT recapture or voluntary payments, Pay for Success models, and in-kind facilities usage are among some of the ways states and localities can generate funds and increase capacity for improved childhood services. See *Innovative Financing to Expand Services so Children Can Thrive* in the addenda for a report that includes detailed descriptions and examples of each method.
- **Dedicate State and Local Tax Revenue** – A sustainable way to generate the needed money to improve early childhood services is to allocate a portion of tax revenue to a dedicated children’s fund. See *Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education* and ITEP’s ‘Revenue Ideas by Jurisdiction’ spreadsheet in the addenda for more information on the options currently available to Kentucky.

Improved Coordination

Kentucky currently implements a number of coordination efforts such as: Cross-sector participation in Kentucky ALL STARS that provides a unified set of standards of quality; KYSTATS Early Childhood Profiles that highlight the needs of children and how those needs are being met; Head Start Full Utilization policy that ensures that the children in greatest need of comprehensive early childhood education are enrolled in the two-generation, multi-domain program; Head Start/State Prekindergarten Blended funding that allows for an extended day and better leveraging of funding streams; and Medicaid’s reimbursement of HANDS home visiting that reaches pregnant women and young children, among others. To continue this coordination, there are a few more avenues that the state can explore.

1. Use a portion of Title IV-E to expand home visiting

The Families First Prevention Act of 2018 takes effect in October 2019. Under this new law, states can use Title IV-E funds for families and their children in the areas of 1) parenting; 2) substance abuse treatment; and 3) mental health intervention. In the home visiting area, the approved evidence-based models are Parents as Teachers, Nurse-Family Partnerships and Healthy Families America. With Title IV-E funds, Kentucky can supplement HANDS and extend home visiting to other families with young children in the infant and toddler years, including those in more moderate income families.

2. Expand Benefind to include easy to find links to a larger range of programs for families with young children

Currently, Kentucky’s Benefind website only includes links and information on eligibility for SNAP, TANF, Medicaid, and Child Care. Other programs such as Early Head Start, Head Start, HANDS home visiting, CHIP, WIC could also be included in the portal.

3. TANF Transfer to CCDF to Improve Access to Quality Child Care

States may use up to 30% of TANF funds towards the Child Care and Development Fund (CCDF). When transferred, the funds become CCDF funds, meaning the same rules and uses apply to the funds as CCDF dollars. This creates more child care assistance that falls under the CCDF health, safety and quality rules and expands the amount of dollars in the quality set-aside. Currently, Kentucky spends a portion of its TANF grant directly on child care but it does not transfer any TANF dollars to the CCDF. It has reduced its TANF spending on child care from a high of 31% to 14%. Several states are using the transfer option including Alabama, North Carolina, Mississippi, Oklahoma and Utah.

4. Provide Joint Training and Evaluation of All STARS Assessors

With the [new policy](#) that requires all early childhood providers receiving public funds to participate in All STARS, there is a need to ensure consistency in how programs are rated and supported across all sectors. This consistency is not only important for children; it is also important for the system to be viewed as fair, transparent, and accountable by all providers. Kentucky should explore braiding professional development funds from multiple sources, such as funds from the CCDF quality set aside, PDG grant funds, Tobacco MSA dollars, and state prekindergarten funds to cross-train and ensure consistent assessment in the All STARS system.

Please see the coordination memo, *Enhancing Kentucky's State-Level Coordination of Early Childhood Programs and Funding Streams*, in the addenda for full information on Kentucky's current coordination efforts, key questions for coordination, benchmarks of successful coordination and the above options.

Future Steps

If Kentucky is granted funding for years two through five of the Preschool Development B-5 Grant, the state should consider including the following activities in their proposal.

1. Complete an expanded second round of fiscal mapping

It has been voiced in ECAC meetings that members would like to see the breakdown of local funds invested in early childhood across the state, especially since localities bear the brunt of financing full day Kindergarten and other necessary services. Therefore, a second iteration of the fiscal map could include local funding streams and other parameters such as – whether the funding stream supports a rural or an urban area, zip codes of service areas, etc. Also, in order to sustain this fiscal data gathering and to connect the fiscal data to outcomes data, we advise that the fiscal map be housed within KYSTATS.

2. Focus on Kentucky's childcare desert issue

Kentucky faces a large problem with childcare deserts. A childcare desert is an area where there are no registered, certified, or ALL STARS-rated childcare centers, or areas where there are greater than 3 times the amount of children under 5 than there are available childcare slots. It has been estimated that 52% of White, 42% of Black, and 45% of Hispanic/Latino people in Kentucky reside in childcare deserts. 1,370,155 people in rural areas reside in deserts.³ Also, the state does not currently retrieve

³ [Prichard Committee for Academic Excellence - Kentucky Child Care Deserts and Where to Find Them](#)

regular data from private childcare facilities (including number of placements by age), nor do they have a way to identify the number of children without access to childcare.

However, there are some glimmers of hope and opportunity that the state should act on in order to mitigate this issue. First, KYSTATS will be working on creating unique child identifiers which will help us determine how many children are/are not in the various forms of childcare (and where). With that information Kentucky can determine a rough estimate of the amount of money that will be needed to generate in order to fill the gap of childcare slots in the state. Also, there already has been a lot of research done on childcare deserts in Kentucky. The Prichard Committee for Academic Excellence and the Center on Enhancing Early Learning Outcomes has released reports and findings on the cost of quality pre-k and childcare in the state. Finally, once we have more detailed information on the need of childcare, there are a number of federal grants and loan programs that localities can apply for to help support capacity and facility building. USDA offers [Economic Impact Initiative Grants](#) and the [Community Facilities Direct Loan & Grant Program](#), which some localities in KY currently use, but not for early childhood facilities.

Addenda

- *Enhancing Kentucky's State-Level Coordination of Early Childhood Programs and Funding Streams* – Coordination memo prepared by The Children's Funding Project
- *State Enabling Legislation for Children's Special Taxing Districts* brief
- [Innovative Financing to Expand Services so Children Can Thrive](#) – Report written by the Children's Funding Project and Harvard's Education Redesign Lab
- *Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education* - Excerpt of full report written by the Build Initiative and partners
- 'Revenue Ideas by Jurisdiction' - Spreadsheet from the Institute on Taxation and Economic Policy (ITEP)